A) Statement of the Case

The parties disagree about the methodology for calculating the streetlight purchase price. The City believes that the purchase price should be calculated using the methodology approved in three earlier cases, DTE 98-89, DTE 01-25 and DTE 02-11. That methodology multiplies community specific gross plant balances by department approved depreciation rates to "calculate" the accumulated depreciation. The accumulated depreciation calculated in that fashion is subtracted from community specific gross plant balances to arrive at the "unamortized investment" of the streetlight plant.

The Company believes that the methodology used in the three earlier cases should not be applied. The Company believes that those earlier approved calculations of streetlight purchase prices created stranded costs because the purchase prices calculated were lower than net book value in all three cases. The Company argues that "un-amortized investment" of streetlight plant, as that term is used in the statute, is equal to the net book value of the streetlight plant, irrespective of the accounting method used by the Company to "allocate" accumulated depreciation between general distribution assets and streetlight assets.

B) Evidence Relied Upon By the Parties

The City relies on the following evidence to support its streetlight purchase price calculation:

1) The calculations approved in three earlier cases, (See Ex CAM PLC-2)
2) The Cambridge specific gross plant balances provided by the Company;
3) The streetlight specific deprecation rates provided by the Company;

4) The Company's formula for allocating the resulting unamortized investment between the lights to be sold in Cambridge and the lights to be retained in Cambridge (See 78% allocation in NSTAR 1 p.7 L. 284);
5) The City's calculation of "Unamortized Investment" (See Exhibit CAM 5);
6) The Company's confirmation of that City calculation, (See City 1-13 (a));
7) The Company's alternative calculation using the short cut procedure in DTE 01-25, when community specific data is not available (See NSTAR CLV 3).

The Company relies on the following evidence to support its purchase price calculation:

1) The same gross plant balances, the same depreciation rates, and the same allocation formula, used by the City in items 2, 3,and 4 above;
2) $1,048,467 million in "claimed" negative net salvage, which was first introduced by the Company on December 17, 2004 (see Ex NSTAR CLV p 26);
3) The Company claims that the application of the earlier methodology created $200,000 in stranded cost in DTE 98-89, would create $5.4 million in stranded costs in throughout the Service territory in DTE 01-25, and 1.1 million in stranded costs in CELCo (see NSTAR CLV p 36, 37 and NSTAR CLV 4);

C Argument

1) The City's calculation is consistent with the statute. The Company's calculation is not.

The Company states that the Act establishes a purchase price standard that requires the community to pay the "Net Book Value" of the streetlights that are being acquired. To make the statutory argument, the Company argues that the term "un-amortized investment", the term used in the statute, is "synonymous" with the term "net book value":

> ". . . for purposes of determining the appropriate sales price of streetlights under G.L. c. 164 s 34A, there is no difference between the terms "unamortized investment" and "net book value" and the Company uses the terms interchangeably." (Ex NSTAR CLV p 11 line 14)

Based on this statutory starting point, the Company then claims that the Company has incurred $1,048,467 of "negative net salvage" in the years between 1942 and 2003 (NSTAR CLV p26 line 1). The Company defines negative net salvage as the amount by which "the cost of removal" exceeds the "salvage value that is obtained" (NSTAR CLV p 20 line 15). The Company states that, in Cambridge in the last decade "the cost of removal has been approximately four times greater than the value of gross salvage" (NSTAR CLV p 21). This relationship means that the Company is claiming approximately $350,000 in positive salvage, and approximately $1,400,000 in removal costs to arrive at a negative net salvage of approximately $1,050,000. The Company states the difference between the parties is that the City's calculation of "unamortized investment" excludes these salvage and removal costs, while the Company's calculation of "net book value" includes these salvage and removal costs. (NSTAR CLV p 19, line 12).

The problem with the Company's statutory argument is that a) Section 34A deals specifically with the concept of salvage value, and removal costs, and b) treats those concepts as separate and distinct from the concept of unamortized investment, and c) specifies the circumstances in which those concepts are to be included in the compensation (which do not apply in this case). In the circumstance in which a community elects to purchase some of the lights, and then further elects to have the Company remove the "un-acquired" lights, the final sentence of Section 34A (b) states:

> "Thereupon, the municipality shall pay to the electric company the cost of removal by the electric company, along with the unamortized investment allocable to such un-acquired part, net of any salvage value attributable to the removed equipment."

The Company's interpretation that "unamortized investment" and "net book value" are interchangeable can not be reconciled with this language. The Company claims that net book value includes approximately $1.4 million in removal costs, and because "unamortized investment" and net book value are "interchangeable", the Company can recover those removal costs as a component of "unamortized investment". But an interpretation that removal cost are a subcomponent of statutory "unamortized investment" would render the above quoted sentence from Section 34A nonsensical. If the legislature intended that "unamortized investment" should include removal costs and salvage value as sub-components thereof, it would not make any sense to pay a) the cost of removal, "*along with" b)* the unamortized investment allocable to such un-acquired part, c) "*net of"* any salvage value attributable to the removed equipment. The words of the statute make clear that "removal costs" are separate and distinct from "unamortized investment", as those terms are used in the statute. The Company's position that they should be allowed to include more than $1 million in "removal costs" in their Section 34A calculation of the "unamortized Investment" of the streetlights to be sold, is contrary to the clear language of the statute.

The words of the statute make clear that removal costs are only recoverable in the circumstance in which the community requests the Company to remove un-acquired lights. Since the City has not asked the Company to remove any lights, the only circumstance in which removal costs would be allowed under the statute does not apply.

2) The City's interpretation of Section 34A is consistent with other sections of the same chapter. The Company's interpretation is not.

The same Act of the legislature that added Section 34A to Chapter 164 of the General Laws, also added Section 1 and Section 1A to Chapter 164. The definition of the term

"Mitigation" in Section 1 requires mitigating assets to be valued at "net book value". Section 1A (b) (1) provides the distribution assets that are transferred to a successor distribution company should be valued at "the book value of the distribution facilities net of depreciation".

The legislature was obviously aware of the valuation standard "book value . . . net of depreciation, or "net book value" for valuing utility assets. It used those valuation standards in the same Act that added Sections 1, 1A and 34A to the same Chapter 164 of the General Laws. The legislature could have used a "net book" valuation standard in Section 34A, if that was the intent of Section 34A. The legislature not only used a different standard in Section 34A, "unamortized investment", it made clear that the statutory term "unamortized investment" did not include "removal costs" and "salvage value", and therefore was, per se, not equivalent to "net book value".

3) The City position is consistent with the three department rulings interpreting Section 34A "unamortized investment". The Company's position is not.

There is no disagreement about the purchase price that would be derived through the application of the prior rulings. *The Company calculates* the total unamortized investment of the total streetlight plant in Cambridge by applying the methods used in the prior rulings. The Company's calculated value of $1,109,680 is within .01% of Mr. Chernick calculation of $1,123,706 (Compare results of Company calculation in Ex City 1-13(a) to Mr. Chernick's calculation in Exhibit CAM 5).

Both the City's calculation and the Company's calculation used the same formula for "computing" accumulated depreciation that was demonstrated in DTE 98-89, 01-25, and 02-11. Those earlier "computations" of unamortized investment are reproduced in Exhibit CAM-PLC-2 at pages 1, 4, and 6 for Lexington, Edgartown and Waltham respectively. In all three of the earlier cases, community specific annual gross plant balances, are multiplied by department approved depreciation rates, to “compute” the accumulated depreciation that is subtracted from the gross plant balances to determine the “unamortized investment” in the streetlight plant. This exact same formula for computing accumulated depreciation is used by the City in its calculation of $ 1,123,706 in Ex CAM 5, and by the Company in its calculation of $1,109,680 in its exhibit City 1-13(a).

This is not a disagreement about the result obtained if the prior methods are applied. The Company is claiming that the prior methods should not be applied. See for example the following statement in the second paragraph of the Company’s response to City 1-13:

> “Q For comparison purposes only, to the extent that the Company used in this case the methodologies ordered to be used in prior proceedings, what purchase price for the Company’s streetlights would result in each instance?
> A. In response to Information request 1-13, the company provided a calculation of the City purchase price using . . . the methodologies used in DTE 98-89 and DTE 02-11. The resulting purchase price is $.954 million. (See Attachment City 1-13 (a) p. 2.) If Cambridge were required to use the same methodology as was ordered in DTE 01-25 the City would pay only $0.543 million (see Ex NSTAR CLV-3) “

Two clarifications are necessary. First the difference between Mr. Chernick’s calculation of a purchase price of $876,491 in Ex CAM 5, (78% of the unamortized investment of $1,123,706) and the Company’s calculation of a purchase price of $0.954 million in Ex City 1-13(a) (86% of the unamortized investment of $1,109, 680) is that Mr. Chernick applied the Company’s proposed formula for allocating value between lights to be sold in Cambridge and lights to be retained by the Company in Cambridge (EX NSTAR 1 p 7). The Company’s 86% allocation (in City 1-13(a)) is apparently based on the fact that municipal lights represent 86% of the lights in the CELCo service territory. *That is not the allocation formula used in the prior cases*.

Second, while it is interesting to note that the alternative calculation authorized by DTE 01-25 would yield a purchase price of only $543,000, that is not the formula that the DTE 01-

25 precedent would require be applied in this case. The following language from the ruling in DTE 01-25 would be controlling, in our opinion:

> "In *the absence of town specific data* on the cost of early retirements unamortized investment shall be determined by subtracting accumulated depreciation from the original cost of the community's streetlights being acquired." (Emphasis added) (DTE 01-25 p.6)

In DTE 01-25, Commonwealth was unable to provide town specific retirement data. CELCo has provided community specific retirement data. The 01-25 ruling also stated:

> " Consistent with the Boston Edison method, *had Commonwealth provided Town specific information on early retirements*, those costs should have been factored into the calculation of the Company's unamortized investment . . ." (DTE 01-25 p.6)

DTE 01-25 authorized a *preferred formula*, that used community specific retirement data, as well as an *alternative formula*. The *alternative formula* was only to be used when community specific data was not available. The *preferred formula* in DTE 01-25, that used community specific retirement data, was applied in the Waltham case (DTE 02-11), several months after the ruling in DTE 01-25. Because CELCo has Cambridge specific retirement data, the *preferred formula*, that yields the $876,491 purchase price as of December 31, 2003 is the one that should be applied pursuant to the ruling in DTE 01-25 (not the $543,000 price referenced by CELCo above, using the *alternative formula* from DTE 01-25).

The Company has acknowledged, on the record, in plain language, that there is no application of the ruling in DTE 01-25 that supports the purchase price of $1,724,206.33 requested by the Company in this case.

The Company's witness goes further and explains what was wrong with the calculation approved in the three prior cases. None of those rulings included *net salvage.* (See Ex NSTAR-CLV p 34). All of those rulings produced streetlight purchase prices that were less than net book value. (See transcript p 64, "I believe it is fair to say that the company knew . . .

the prior precedents of 98-89, 01-25, and 02-11 resulted in purchase price below net book value."). All of the prior rulings created stranded costs. ($200,000 in DTE 98-89, $150,000 in Harwich, Edgartown and Sandwich and 5.5 million in the Commonwealth Service Territory, Ex NSTAR CLV p 36, 37, and NSTAR CLV 4).

Notwithstanding the Company's clear recognition that the earlier precedents yielded unamortized investment calculations below net book, the Company is asking the department to depart from that precedent and redefine the statutory term "unamortized investment" as the equivalent of "net book" in this case.

There is only one statute. The term unamortized investment is either equivalent to the term net book or it isn't. If the term unamortized investment was interpreted to mean something less than net book in the three earlier purchase prices rulings, the same statute should be interpreted to have the same meaning in this case.

4) **It makes common sense for the purchase price standard in the statute to be less than net book.**

In the context in which the utility owns the general distribution assets and the streetlights, it is not particularly relevant to know whether a given amount of removal costs or accumulated depreciation is appropriately allocated to distribution assets in general or streetlights in particular. Those allocations of accumulated depreciation only become relevant when the Company proposes to sell one piece of its distribution plant (i.e. the streetlights that are for sale). In DTE 98-89 the department stated as follows:

> 'The use of a composite distribution plant depreciation rate is appropriate where the Company is not required to assign a value to the individual components of the distribution plant. Here, the Act requires valuation of street lighting equipment . . . a valuation based on the composite distribution plant depreciation rate is not appropriate. The Company must value street lighting equipment based on a depreciation rate that recognizes the useful life of the street lighting equipment, not a composite distribution plant depreciation rate." (DTE 98-89 p.4)

Notwithstanding the fact that the Company books used a composite distribution plant depreciation rate to establish "net book value" of streetlights, it was appropriate for the department to require a calculation of "unamortized investment" under the Act that used a higher streetlight depreciation rate. It was appropriate to use a streetlight depreciation rate that recognized the useful life of streetlights, (as well as the depreciation paid by the community through its streetlight tariff) and therefore a valuation that was less than the net "book value" on the Company's books using generic, system wide, accounting principles.

In DTE 01-25 the department *did not rule* that it was inappropriate to use theoretical system wide reserves for the purpose of determining the "net book value" of system wide distribution assets. The department *did rule* that the Act required a different method of valuing the particular portion of the distribution assets that were for sale. The use of the Company's generic accounting method for valuing all of its distribution assets was found to be unreasonable as an accounting method for valuing streetlights for sale under Act. One particular objection was that the company's generic accounting method "does not permit over-depreciated streetlights to have a negative value". (DTE 01-25 p. 6)

There may be many valid reasons for the use of Iowa Curves in general utility practice (See NSTAR CLV p 13). There may be many valid reasons for generic accounting methods to assign remaining life value to streetlights that remain. See CAM 4 p 2:

> "In fact, if a unit of property has an expected average life of 15 years, it may well be in service many years later. The remaining average life is not zero (nor is it a negative number), it is a remaining positive number of years."

There may be many valid reasons for generic accounting methods that assign positive values to 60 year old streetlight equipment that is still in service (see NSTAR 1, p1 which assigns positive value in 2003 to equipment installed between 1943 and 1953.) The simple fact that the Company may use these general accounting rules for its general accounting purposes doesn't mean that these same rules should be applied to the valuation of streetlights for sale under the Act. The department was correct to reject this approach to streetlight valuation in DTE 01-25, and it should be rejected in Cambridge as well.

5) The Company's current interpretation of Section 34A is contrary to the Company's May 1998 interpretation of Section 34A.

In May of 1998, the Company provided the valuation of the municipal streetlights of $1,817,370 that is reproduced in Exhibit CAM-PLC-S-1. That valuation was prepared by the Company prior to the first purchase price ruling of the Department in DTE 98-89. The Company's calculation of the streetlight purchase price in May of 1998 assigned a zero value to all streetlight equipment more than 17 years old. (See CAM-PLC-S-1 at page 3.) That is very different from the more recent calculation that assigns a positive value in 2003 to streetlight equipment installed between 1943 and 1953 (See Ex NSTAR 1, p 1). Regarding this change in the Company's position, the Company witness said:

> "The question related to was the method used in 1998 the same method as we are using now. The answer is no, it's not the same method. The method that we are using now is taken directly from the Company's books." (Tr. p 127)

The words in the statute have not changed. The Company's interpretation of the statute has changed. The Company's position today is that "unamortized investment" is equal to "net book value" on the company's books, irrespective of the generic accounting methods used to allocate depreciation between general distribution assets and streetlight plant, even if those generic methods assign a positive value to 60 year old streetlight equipment. That was clearly not the view of the Company in May of 1998.

6) The Company's May 1998 interpretation of the streetlight valuation standard in Section 34A was similar to the streetlight valuations for removed lights in the Company's streetlight tariff.

The streetlight valuation method used by the Company in May of 1998, was the essentially the same streetlight valuation formula contained in the Company's S1 Streetlight tariff, with respect to removed lights. Paragraph D of the General Conditions in that tariff (incorporated by reference by the Hearing Officer as Tariff MDPU No 540B at p 122 of the transcript) describes the payment that must be made to the Company for removed lights, and is cited at p 124 of the transcript.

> ". . . the Company payment is the un-depreciated costs less salvage value of any equipment . . .removed . . ."

Salvage value, in the valuation formula in the tariff, is treated as a concept separate and distinct from "un-depreciated costs". This is similar to the manner in which Section 34A deals with the valuation for removed lights, with removal costs and salvage value as distinct concepts from the term "unamortized investment".

Other utilities had comparable streetlight valuation formulas for removed lights in their streetlight tariffs. The BECO tariff (incorporated by reference by the Hearing Officer as "MDPU No 829A" at page 121 of the transcript, requires the following valuation for removed lights at Sheet 6:

"If the customer desires to remove Company owned installations . . .the Customer will pay to the Company the portion of the installation cost (current costs trended to the date of the installation) determined by the ratio of 1) 25 years minus the age of such installation to 2) 25 years. The Customer will also pay the cost of removal of such installation"

The streetlight valuation formulas for removed lights in the tariffs, (that were included in the streetlight tariffs in effect at the time the Act was passed) are similar to the streetlight valuation formula for removed lights in Section 34A. Salvage value and removal costs are separate and distinct from "un-depreciated cost", in the same they way are separate and distinct from "unamortized investment" in Section 34A. Removal costs in the BECO tariff are only allowed if the community requests that lights be removed, in the same way removal costs are allowed in Section 34A if the community requests that lights be removed. Streetlights do not have a positive value, beyond an assumed depreciable life of 17 years in Cambridge (as per the Company's May 1998 valuation of the Cambridge streetlights), or beyond an assumed depreciable life of 25 years in the BECO tariff.

7) The Company's Claim of more than $1 million in removal cost, is late, un-reviewed, and inconsistent with the Company's own books.

The fact that the claim of more than $1 million in removal costs was first introduced by the Company into this proceeding on December 17, 2004, after the deadline for any further discovery questions from the City had passed, is reason enough to postpone any final ruling on this issue. This issue should be postponed and handled in the same fashion that the similar Company claim was handled in DTE 01-25

> "If the Company does not fully recover its costs from the sale of its streetlights to the towns, Commonwealth can address any under-recovery through the normal ratemaking process." (DTE 01-25, p 7 footnote 12).

If the statutory standard of unamortized investment truly creates an under-recovery, the Company can address that under-recovery through the normal rate making process.

The list of the things that we don't know about this claimed "allocation" of more than $1 million in removal costs to the streetlight plant is much longer than the list of things that we do know about this claimed "allocation". For example: All of the following issues are relevant to the question whether or not the statute truly creates an under-recovery:

1) What assumptions are used to allocate the $39,087.89 in general labor costs in calendar 2000 (itemized in DTE 2-7(b) p1-13) for account 019540 as an allocation of $15,618.50 to streetlights and $23,469.39 to general distribution (as itemized in DTE 2-7(a) p. 1-3)?

2) Is it the procedure of the Company to record all salvage costs, even if at scrap values, (which scrap value is alluded to at NSTAR CLV p 20 line 17) in account 019540? If

so, why are there only two recorded salvage values of $132.14 per light for two lights in 2000, (See DTE 2-7(b) p 1) even though 53 lights were removed in 2000 (See the Company response to Record Request City -1)?

3) Is it the procedure of the Company to record insurance recoveries in account 019540? If so, why are none shown in 2000? If not, how and when are insurance recovery proceeds accounted for, and why are there no insurance recoveries factored into the removal cost calculation in calendar 2000, as documented in DTE 2-7?

4) Is it the procedure of the company to record contractor reimbursements in account 019540? If so, why are none shown in 2000? If not, how and when are contractor reimbursements accounted for, and why are there no contractor reimbursements factored into the removal cost in calendar 2000, as documented in DTE 2-7?

5) What streetlight equipment in particular is responsible for the increase in streetlight removal costs? To what extent does it relate to equipment that is not for sale as opposed to equipment that is for sale?

6) Is this the first time the new accounting system installed in 2000 has been used to allocate removal cost between general distribution assets, streetlights assets?

7) What due diligence, if any, has been performed on the asserted $1.4 million in removal costs to ensure that the allocation of removal costs appropriately and fairly accounts for insurance proceeds, contractor reimbursements, salvage values, and that it appropriately distinguishes general distribution labor from streetlight installation labor, from streetlight removal labor?

8) Has the Company used uniform assumptions on all of the above issues in each of the following time periods:

Time Period	**Basis of Removal Allocation**	**Source**	**Net Sal % of Retirements**	**Source: Col. 8 divided by Col. 2 from**
2000 - 2003	Calendar 2000 Computer Program	Tran 139	37%	NSTAR CLV 2, p1
1992 - 1999	**Manual Records Search in 2004**	Tran 144	**65%**	NSTAR CLV 2, p1
1989 - 1991	Depreciation Study Work Papers	Tran 83	32%	NSTAR CLV 2, p1
1946 - 1988	Estimate Developed in 2004	Exhibit City 1-15	15%	NSTAR CLV 2, p1

9) What is the reason for the spike in the removal costs in the seven years between 1992 and 1999? Are the inherent limitations on the accuracy of a manual records search in December of 2004, through 12 year old records, part of the explanation for removal costs doubling in the period covered by the manual records search?

10) Is this December 2004 search for streetlight removal costs simply an effort to put a more positive face on the accounting methods rejected in DTE 01-25? If not, why can't the Company introduce any evidence of removal costs that tie back to Company records?

With the opportunity for discovery and fair minded review, all of the above questions could be addressed in the context of a general rate proceeding. All that we have at present are unanswered questions.

8) The Company did not comply with regulations in recording removal costs, which noncompliance undermines the accuracy of the claimed removal costs.

The Company cites the following portion of FERC regulations at page 19 of Ex NSTAR-CLV to justify its calendar 2004 development of, and allocation of more than $1 million in removal costs to the streetlights:

> *"At the time of retirement* of depreciable electric utility plant, this account *shall be charged with* the book cost of the property retired and the cost of removal *and shall be credited* with the salvage value and any other amounts recovered . . ." (Emphasis added)

In other words the regulation relied on and cited by the Company contemplates the simultaneous recording in 1992, of retirement values from 1992, removal costs from 1992, salvage values from 1992, contractor reimbursements from 1992 and insurance recoveries from 1992. The FERC regulation cited by the Company does not contemplate a calendar 2004 scramble through old boxes of records in an attempt to quantify removal costs for equipment retired 12 years earlier.

The depreciation study relied on by the Company makes a similar point. At page 118 of City 1-3 (a) bulk attachment, you find the following passage:

> "The retirement work order is analyzed and if the removed material was replaced, a portion of the labor is debited to the capital account . . . and the remainder of the labor cost is debited to the reserve as a cost of removal."

There was no simultaneous analysis of 1992 retirement work orders for the allocation of labor between capital accounts and removal accounts completed by the Company in 1992. The witness testified at page 85, 86 and 91 of the hearing transcript that the removal costs for periods 1943 to 1989, 1989 to 1991, and 1992, respectively, were not developed through the simultaneous analysis of retirement work orders.

Instead, a review of the Hearing transcript reveals that the Company developed the negative salvage values in December of 2004, listed in column 8 of Exhibit City-15, for the purpose of creating that discovery exhibit. The following passages from the transcript explain the December 2004 development of these negative net salvage numbers:

> Mr. Stevens: So is it your testimony that . . . the one million (in net salvage value) was first broached on discovery?
> Witness: "Yes . . . we did not look at net salvage value until we actually did the artificial construct." (Transcript p 71)
> Witness: "the values in column 8 (negative net salvage) were calculated based on the retirements for that exhibit" (Transcript p 86)
> Witness: "Our first version of City 1-15 had from 1992 on a calculation of 15 percent . . . .after that we found some actual values going back to '89, and we had revised the City 1-15 to reflect that" (Transcript p 81)
> Witness: "That was the beginning of our accounting system when it was installed in 2000, could spit out all that information. Before that time we had the different accounting systems, so we'd have to go back to boxes" (Transcript p 139)

The problem with a December 2004 scramble through boxes of 12 year old records in order to develop removal costs that were not contemporaneously recorded in accordance with the regulation "at the time of the retirement" is that there is a significant risk of error. The fact that the Company has been unable to provide removal cost that tie back to their books appears to be a reflection of the procedure to recover and then allocate 12 year old removal cost that were not contemporaneously recorded. Note the following inconsistencies for example in the removal records from calendar 2000, *the only year for which any detail has been provided*:

Calendar 2000	Fixtures & Posts	Fixtures	Posts	Source
Retirements	83			DTE 2-6 Attach p 2
Removals	62	53	9	Record Request City 1
Salvage Values		2 @ $132.14	3 @ 252.98	DTE 2-7 (b) Attach. p 1 (lights) and p 13 (posts)
Insurance Recoveries			None Shown	DTE 2-7 (b) Attach. p 1-13
Contractor Reimb.			None Show	DTE 2-7 (b) Attach. p 1-13

Are we to believe that you can retire 21 fixtures and posts (83 minus 62) or 25% of the number retired, without removing them? Where is the salvage value for the other 51 lights, the other 96% of the lights removed, or the other 6 poles, or 66% of the poles removed? Where are the insurance proceeds associated with pole knock downs? Where are the contractor reimbursements? Are these inconsistencies and omissions a reflection of the assumptions used, or due diligence used, when the Company "did the artificial construct" to create the "removal cost exhibit" in December of 2004?

It is also interesting that the Company chose to leave the last three words "*such as insurance*" out of the sentence quoted from the FERC regulation. The complete sentence reads as follows:

> "*At the time of retirement* of depreciable electric utility plant, this account shall be charged with the book cost of the property retired and the cost of removal and shall be credited with the salvage value and any other amounts recovered, *such as insurance."* (Emphasis Added) (See City 1-9 Attachment, paragraph B)

One problem with a December 2004 scramble through boxes of old records to artificially construct over $1 million in removal costs is that insurance recovery records may be in different boxes in the risk management department. Once again this degree of precision in the allocation of costs between distribution in general and streetlight specifically, down to the sub account level, only becomes important when the Company proposes to use this allocation of costs for the purpose of developing a purchase price for streetlight plant to be sold.

Even if the statute and the precedent allowed recovery of the removal cost of the type claimed, (and the statute and the precedent do not) the "12 years after the fact" process used by the Company in the current instance, contrary to the FERC accounting regulation cited, produces results that are inconsistent with the Company's own records, and produces results that are clearly missing important components of the correct calculation of net salvage value (i.e. salvage values, insurance proceeds, contractor reimbursements).

9) It would be fundamentally unfair to impose more than $1 in unexamined, un-reviewed, and inconsistent removal costs on the City in this proceeding.

The Company had every opportunity to explain the differential between the City's calculation of the streetlight purchase under the prior rulings, and the Company's calculation. The Company has been refusing to provide their own calculation since July of 2003. (See transcript p 69, and Chernick testimony in exhibit CAM-PLC (Supplemental) at page 2 regarding the Company's refusal to provide this DTE 01-25 calculation.) The Company chose to delay providing this calculation and delay introducing the claimed $1 million plus in removal costs until December 17, 2004. (See transcript p 71 and 72)

Even if the department decided that it wanted to revise the statutory purchase price standard to incorporate this category of cost, it would be fundamentally unfair to impose this cost on the City of Cambridge, in this rushed fashion in this proceeding, without the opportunity for discovery and review. It is fundamentally unfair to impose more than $1 million in removal costs on the City of Cambridge that has been introduced late, that has not been subject to discovery that does not tie back to the company's books.

The only fair way (which also complies with the statute and the precedent) to deal with the claimed under recovery in Cambridge is the approach used in DTE 01-25 to deal with the comparable claimed under recovery. (DTE 01-25 p 7 footnote 12) In a follow up rate proceeding, the department could get answers to the questions raised above. In the same rate proceeding the City could be given due process rights, denied in this proceeding, to seek discovery regarding those assumptions and calculations, and challenge the equity of those assumption and calculations. The City has had no such rights of discovery and review in this proceeding because the Company raised the issue of more than $ 1 million in removal costs for the first time on December 17, 2004, two weeks after the discovery deadline had passed.

It is also worth noting the result of the follow up proceeding regarding the Company's claim of $200,000 in stranded costs created by the sale of streetlights to Lexington at an unamortized investment that was less net book value. In DTE 99-107, the Company's claim for $199,207 in adjustments to the Company's Transition Charge was "reversed" and deferred to a subsequent "rate proceeding" (see DTE 99-107 p3 and 4). If the Company had a compelling case, presumably the claimed stranded cost would have been included in the rate proceeding dealing with the Transition Charge. At any rate, the merits of the Company's claim of stranded costs in Cambridge have yet to be examined or reviewed with any semblance of due process.

10) The City's calculation is simple, transparent, and easy to verify. The Company's calculation is not.

It is straightforward and simple to multiply the gross plant balances from the Company's books, by department approved depreciation rates to "compute" the accumulated depreciation that should be subtracted from those gross plant balances to arrive at the unamortized investment of the streetlight plant. This formula for computing unamortized investment, as approved in the three prior cases, is transparent and clear, and easily subject to verification

As the following chart demonstrates, every utility that has been involved in a purchase price dispute, to date, has indicated that it can produce community specific gross balances:

Utility	Community Specific Gross Plant Balances Can be found at:
BECO	DTE 04 -65 PLC 2 , p 6, column 5
Commonwealth	DTE 04-65 PLC 2 p 4 column 4
CELCo	DTE 04-65 Ex CAM 3, and City 1-5 Attachment, p 1 column 5
MECO	DTE 03-98 Company's response to Information Request 1-3[1]

As long as the department continues to require every utility to provide community specific gross plant values that are auditable and verifiable, and requires the use of department approved depreciation rates that are auditable and verifiable, the unamortized investment calculation should be simple, transparent and clear.

The Company is asking the department to engage in a review of the Company's allocation of more than $1 million in costs from distribution to streetlight removal costs as an allocated debit to the accumulated depreciation account. This is a complicated undertaking that certainly requires more discovery and disclosure than has been possible in this proceeding. Even if the statutory term "unamortized investment" allowed for this treatment of removal costs (which it doesn't) such an undertaking is fraught with the possibility for purchase price disputes. The record of the streetlight purchase prices disputes to date is as follows:

Doc	Complaint	Method	Result
98-89	Utility had under allocated depreciation to streetlights	Composite depreciation rate	Utility had under allocated depreciation to streetlights
01-25	Utility had under allocated depreciation to streetlights	Over depreciated lights have positive value	Utility had under allocated depreciation to streetlights
02-11	Utility had under allocated depreciation to streetlights	Over-allocated depreciation to private lights	Utility had under allocated depreciation to streetlights
03-98	Utility had under allocated depreciation to streetlights	New formula shifts gross plant value to later years	Pending
04-65	Utility had under allocated depreciation to streetlights	Same as 01-25	Pending

[1] In DTE 03-98, the only case to date in which these annual gross plant values have not been provided, the Company specifically stated in response to the cited Information Request that the Company had both gross plant values and net plant values back to 1984 and gross plant values prior to 1984. They simply refused to provide these gross plant values because they were, according to the Company, irrelevant.

Given the above track record, it is reasonable to assume, going forward, that communities will scrutinize the streetlight purchase prices offered to determine if the utility has under-allocated depreciation to the streetlights to be sold. If the formula and the precedent are clear, there should be no need for any further streetlight disputes. Multiplying auditable and verifiable gross plant values by department approved depreciation rates is transparent, straightforward, and clear.

On the other, hand if the department allows utilities to devise new formulas to allocate depreciation to the streetlights to be sold, (such as the calendar 2000 accounting system change in Cambridge), then it is reasonable to expect communities to view those new formulas for allocating depreciation with a jaundiced eye, and to contest those new formulas if they are not satisfied with the level of disclosure by the Company, or the equity of the allocation assumptions.

D. Relief Sought

We request the department to direct the Company to calculate the "unamortized investment" of the total streetlight plant using the preexisting precedent as approved for Lexington, Edgartown and Waltham in DTE 98-89, 01-25, and 02-11, as demonstrated for Cambridge in Exhibit CAM 5, and confirmed by the Company in City-13(a).

We request the department to direct the Company to use the Company's proposed formula to allocate that unamortized investment between the lights to be sold in Cambridge and the lights to be retained in Cambridge, as demonstrated by the Company in NSTAR 1, and by the City in Ex. CAM 5. The Company's introduction of a new and unprecedented formula, on December 17, 2004, for making this allocation between lights to be sold and lights to be retained, in City 1-13(a), should be rejected.